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Appropriations Committee

Statement of Bob Bergland

Secretary of Agriculture

Before the Senate Subcommittee on Agriculture,
Rural Development and Related Agencies

I am pleased to have the opportunity to appear before the Committee again. You requested this hearing to discuss the administration's views of House action on the Fiscal Year 1979 Appropriations bill. At this time the House Appropriations Subcommittee has marked-up the bill. However, it has not issued a committee print reflecting the marked-up version of the bill and report. We have received only informal information on the recommendations of the Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies. The written text of the bill and report, action by the House Appropriations Committee, and House floor action could significantly alter the unofficial information we have at this time. It is in this context of partial information that I express the Administration's views regarding House action on the FY 1979 appropriations bill.

The House Subcommittee apparently will recommend a series of restrictive provisions which would seriously impair my ability and that of the President to manage the Department of Agriculture. My most serious concerns are with those actions which are intended to specify the level, type, and location of employment within the Department. Examples include:

-- specifying minimum personnel levels for some USDA agencies;

-- requiring that certain amounts of funds be used only for salaries and benefits of federal employees;

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-- specifying that some funding increases are to be used to hire stated numbers of additional federal personnel; and

-- restricting opportunities both for privately-owned companies to obtain contracts for services from the Department, and for institutions outside traditionally funded schools to have access to federal research funds.

In addition to requiring increases in personnel for some USDA agencies, the Subcommittee also has mandated a reduction in staffing for the Office of the Secretary. Specifically, it would require about a 12 percent reduction in the offices of the assistant secretaries and a 25 percent reduction in certain functions of the Office of Governmental and Public Affairs. USDA has traditionally maintained one of the smallest policy staffs in the Executive Branch, and this Administration has continued that tradition. A reduction from present levels would make it extremely difficult for this Administration to provide the kind of effective policy leadership for the Department that I believe the Congress wants.

The House Subcommittee has taken a number of other actions related to the organization and management of the Department which I believe are not handled appropriately through the appropriations process. I object, for example, to the Subcommittee's proposals to:

-- require the Department to transfer wholesale marketing research activities from our research agency, the Science and Education Administration, to a regulatory agency, the Agricultural Marketing Service;

-- specify that decisions on the use of formulated grain fruit products in the school breakfast program be decided at the local level;
-- designate generally the appropriate number of computer terminals for the unified management information system for the Farmers Home Administration; and
-- disapprove the Department's proposal to provide greater flexibility in the use of funds for audit and investigative programs.

I recognize and respect the interest of the Congress in the efficient management of the Department. I always have worked closely with the Congress in these areas and will continue to do so. However, I do not believe that the appropriations bill is the appropriate vehicle for imposing strict Congressional direction on management matters. The House Subcommittee's actions would impose rigid statutory restrictions on the day-to-day management of programs, and would substantially limit my capacity to adjust to changing circumstances. I object to this both in principle and because I do not believe that the Committees of Congress, through the appropriations process, are in the best position to take on this responsibility.

Another major area of concern is the funding level which will apparently be recommended in the FY 1979 appropriations bill. The House Subcommittee mark up will result in a bill providing budget authority more than $400 million over the President's budget. This would result in over $200 million additional outlays in FY 1979. This increase may not be fully evident without close review because the House Subcommittee has made a technical adjustment in handling the financing of the Commodity

Credit Corporation which appears to create a savings of about $400 million in budget authority. However, this technical adjustment has no program impact and does not represent a real savings.

I do not disagree with the need to provide adequate financing for this Department's programs. I believe that the January budget request will do just that. Additional program increases of the magnitude recommended by the House Appropriations Subcommittee in this period of rapid inflation are not desirable. Moreover, if we are to achieve the President's goal of balancing the Federal budget by 1981 -- a goal which I am sure you share -- we must cooperate in exercising fiscal restraint in weighing the competing needs of many worthy programs. Ongoing program increases of the magnitude contemplated in the Subcommittee mark up cannot be provided at the present time if we are to hold down inflation and balance the budget.

The House Subcommittee apparently made several changes which I fully support. These provide for adjustments in program priorities and are needed due to events which have occurred since the President's budget was submitted to Congress in January.

Many of the animal and plant disease programs administered by the Animal and Plant Health Inspection Service are continually reviewed to determine the severity of actual or potential pest and disease outbreaks. Current information shows the need for shifting program emphasis from that presented in the January budget. Therefore, I agree with that portion of the House Subcommittee action which would provide increases for Cattle Fever Ticks (+$1 million), Gypsy Moth (+$1 million), Contagious Equine Metritis (+$500 thousand), Japanese Beetle (+$400 thousand), Horse Protection (+$100 thousand) and Animal Welfare (+$200 thousand).

I also agree that decreases from the President's budget can be made for Miscellaneous Animal Diseases, Hog Cholera, and Import-Export Inspection. The Miscellaneous Animal Disease program can continue as an effective program at the reduced level. The Hog Cholera program continues to wind down as we reach complete eradication of the disease in the United States. The cost of the import-export inspection program can be reduced as an impact on the federal budget by operating portions of the program on a fee basis.

I agree with the House Subcommittee action to increase the Extension Service payments to 1890 Colleges by $279 thousand because this change provides funds at the formula rate specified in the Food and Agriculture Act of 1977.

An increase in Farm Ownership loans of $250 million which is apparently recommended by the House Subcommittee would be appropriate to provide additional credit relief to the farmers of our nation. However, I urge that the increased loan level be made available only after legislation is enacted which would require interest rates for farm ownership loans to be set at rates equivalent to the Government's cost of borrowing money.

Although the administration did not originally request a guaranteed above moderate income loan program in the Rural Housing Insurance Fund, we now believe an increase of $500 million is warranted. If provided, we would implement the above-moderate income housing loan guarantee program to assist rural families with annual incomes of up to $20,000 in areas where there is a serious lack of mortgage credit and where existing federal housing programs are not functioning effectively.

The current FmHA housing programs combined with above-moderate guarantees and the Administration's Homeownership Assistance Program will give the agency a collection of housing options which will meet the needs of all rural Americans.

In addition, the President's budget included a legislative proposal to increase CCC borrowing authority from Treasury from $14.5 billion to $20 billion. This request was based upon assuring adequate funding availability under the authorities of the Food and Agriculture Act of 1977 under a most severe demand situation (good weather). As you know, there is a great deal of difficulty associated with predicting CCC costs, due mainly to the weather's affect on both domestic and worldwide production. Since the submission of the President's budget, two significant changes have developed that impact upon probable CCC borrowings:

-- The passage of the Emergency Agricultural Act of 1978 which contained mandatory and discretionary provisions that might create a demand for greater than anticipated Treasury borrowings; and

-- The Administration's proposal to fund the new Farm Production Protection Administration through CCC increases the potential demand for CCC borrowings.

In light of these two events and the fact that an increase above the House Subcommittee's action would make the additional borrowing authority available only to the extent needed to carry out our programs, we are requesting that you provide in the Appropriation Act $25.0 billion borrowing authority for CCC.

I have reviewed a number of our operations and identified several problem areas which we need to aggressively pursue.

Energy. The agricultural and forestry sectors account for 22 percent of the nation's total energy usage. The Department of Agriculture must participate in the development of energy policies and programs. I have, therefore, established an Office of Energy within the Office of the Secretary to serve as a focal point for coordination of all USDA energy activities within the Department and between USDA and other government agencies.

Public Participation. The Department has been strongly criticized in the past for its alleged inability or unwillingness to involve citizens and citizen groups in the development of agricultural and national resources policies and programs. I am proposing to establish a small office under the direction of the Director of Economics, Policy Analysis and Budget which would be responsible for maintaining a calendar of important USDA decisions and working with the program agencies to arrange for such public participation as might be appropriate. This is consistent with the interest of the President's recent directive to Federal agencies to make their rule making procedures more open and understandable to the public.

Safety and Health Management. On March 27, 1978, I established an Office of Safety and Health Management. Reporting to the Assistant Secretary for Administration, the office will provide an effective, comprehensive Safety and Health Program within the Department of Agriculture. This action is specifically directed to

reduce the exorbitant property and compensation costs which directly drain our financial resources by more than $14 million each year and which cost an additional estimated $70-100 million each year in productivity and diverted resource losses.

Equal Opportunity. The Department of Agriculture has consistently had a very poor record in regard to Equal Employment Opportunity. In an effort to provide priority attention to EEO programs and to improve our performance in this area, I propose to bring EEO programs together with other civil rights and equal opportunity programs as an expanded Office of Equal Opportunity, to increase staffing by a modest amount in the areas of EEO planning, evaluation and review and EEO complaints and appeals processing, and to develop and install an EEO tracking and evaluation system.

The House Appropriations Subcommittee has recommended a series of small reductions in the FY 1979 budget estimates for several of the USDA agencies. These reductions are associated with funding for personnel transferred to the Office of the Secretary in FY 1978. I recommend that these reductions, totalling $1.6 million, be made and be partially offset by an increase of $1.2 million to provide the additional Departmental planning, direction, and coordination necessary to achieve significant improvements in our Energy, Public Participation, Health and Safety and Equal Opportunity programs.

A number of other changes made by the House Appropriations Subcommittee give me great concern. Almost one-third of the budget authority increase recommended by the Subcommittee (approximately $130 million) represents additional funding for conservation cost-share programs.

The Agricultural Conservation Program (ACP), ostensibly a natural resources conservation program, has traditionally shared the costs of production enhancement practices that most farmers would pay for themselves. ACP also has been available to share the cost of soil erosion control and pollution abatement practices, but long-term conservation benefits have not been the program's principal thrust. Executive Branch policy for years has tried either to focus ACP funds on long-term conservation objectives, prevention of soil erosion (pollution abatement) or, failing such reform, to eliminate ACP entirely.

Congress recognized the need to reform ACP when it enacted the Food and Agriculture Act of 1977 and authorized the Secretary to establish a national list of practices. For fiscal year 1979, President Carter proposed a single consolidated Agricultural Conservation Program designed to meet the needs for cost-sharing assistance in high priority areas including the special needs of the Great Plains area and implementation of the new Clean Water program. The budget recommended a total of $100 million for these purposes. The Subcommittee's actions would more than double the recommended funding level, reinstate separate ACP and Great Plains programs, and establish separate financing for the Clean Water program.

Further, it is possible that the Subcommittee will continue appropriation language which, contrary to recently enacted legislation, precludes the Secretary from limiting the use of ACP cost-sharing to attainment of high priority national objectives such as non-point source pollution abatement. Such a course will virtually assure that ACP funds will be used predominately for production enhancing practices. It is crucial to the

Administration's objectives that the Appropriation Committees permit the reform of the ACP to meet the objectives of the Clean Water program. We need a single effective soil erosion control-clean water funding mechanism to share with landowners the cost of practices recommended by technical experts of the Soil Conservation Service.

I urge you to provide an amount for ACP which does not exceed $100 million. This amount, we believe, is sufficient to meet the program needs in high priority areas where we have the greatest opportunity to solve soil erosion problems that cause pollution.

The House Subcommittee's proposals in the research area also could create serious problems. The House Subcommittee action would provide a net increase of $64 million for research and education activities of the Department. This is made up of an increase of $35 million for research construction, $25 million for Federal Research, $35 million for Cooperative Research, and $15 million for Extension, for a total of $110 million in increases. This is partially offset by a $30 million decrease to eliminate our new and widely heralded Competitive Research Grants program, a $14 million decrease in the extramural research proposed in the budget, and a $2 million decrease in our modest overseas research program.

Such funding changes would mean reverting back to sole reliance upon the traditional formula research grant and in-house research approach which, while successful in the past, does not permit broadening the base of scientific effort applied to agricultural problems nor focusing of research attention on a few selected high priority basic research needs of national importance.

We would prefer to use our traditional program, supplemented by extramural research and competitive grants. This combination of tested and innovative approaches would yield the most research benefits to our nation as a whole, and for the least cost. It would permit us to draw on the tremendous research talent and capabilities at the State institutions as well as other research resources to address pressing national problems. Many of the competitive grants would be awarded to the land grant universities to supplement their formula-derived Federal funds. Our proposed program would also provide us with maximum flexibility to redirect our research dollars over time as research priorities change.

The President's budget proposed reductions in resources for formula grants and in-house research programs to provide for increases in competitive grants and extramural research. However, the House Subcommittee proposes action to eliminate completely our Competitive Research Grant program, a program just begun in fiscal year 1978, restore our proposed decreases in formula and in-house research, and substitute some increases for in-house research in lieu of our extramural increases. We appeal especially vigorously for funds to continue the competitive grants effort, from which will come some of the technological breakthroughs we will need to continue to feed and clothe the nation in face of dwindling supplies of oil, water, and prime agricultural land.

Secondly, in the research area, the House Subcommittee would restore all of our proposed decreases in what we consider to be relatively low priority research. This year we took a hard look at all of our research programs to identify those that needed additional emphasis and those that could be reduced or eliminated. The result was that about $13 million

worth of research projects of sufficiently low enough priority to be discontinued were identified. Some of these projects involved research on problems which are now under control or are no longer serious. Many of the other projects were related to problems of a local nature or pertained to a particular industry, and we felt that the benefiting parties could pick up and perform this research if it was sufficiently important to them. Our budget proposed that the savings from the elimination of these projects be put into some very high priority research of national significance such as human nutrition, integrated pest management, and small scale farming. The House Subcommittee action restores all of the low priority work that we proposed for deletion.

Thirdly, the House added over $35 million for the construction or planning of new research facilities. I would like to point out that, although these are non-recurring items, they would have future year implications of $36 million in additional construction costs for planned laboratories and over $20 million annually in staffing and operating costs. We need to hold Federal expenditures for construction to a minimum and to make full use of our existing facilities before we begin any new construction. We feel that there are opportunities within our current facilities inventory to undertake additional research, if needed, in most of the areas that the new facilities would be used for. Considering this and the inflationary impact of the proposed new facilities, I cannot support the House Subcommittee recommendations in this area.

The House Subcommittee also has recommended substantial funding increases for the Soil Conservation Service ($53 million consisting of: Conservation Operations +$4.1, Watershed Planning +$6.8, Watershed and Flood Prevention +$17.0, Resource Conservation and Development +$25.1), the Farmers Home

Administration ($55.7 million consisting of: Water and Waste Disposal Grants +$35.0, Rural Development Planning Grants +$5.0, Section 525 Technical and Supervisory Grants +$2.5, Rural Community Fire Protection Grants +$3.5, Staffing +$7.0, and program review +$3.0), the Food and Nutrition Service ($33 million consisting of: Equipment assistance +$8.0 and Women, Infants and Children +$25.0), and a number of increases in the Animal and Plant Health Inspection Service totaling more than $10 million. In addition, a number of smaller changes were recommended for other agencies of the Department. While the relative merits of the programs which the House Subcommittee proposes to increase can be debated, we do not believe that increases are consistent with the need to hold down Federal spending as a very important part of the general effort to curb inflation. We would urge this Committee to review these proposals closely and reduce these funding recommendations to the greatest extent possible. With respect to the SCS item, there is one thing I should mention. As you know the Administration has conducted a Water Resources Policy Study in recent months. The President's Message to Congress on June 6 reflects the decisions made as a result of this study. Included among the specific proposals to be submitted to the Congress will be a budget amendment to provide for new construction starts for the small watershed program of the Soil Conservation Service. I urge this committee to give favorable consideration to such an amendment when received.

In summary, I believe that if the recommendations of the House Subcommittee are approved by the House Appropriations Committee and House floor action, the ability of the President to carry out his basic

commitments to improving the organization and management of the Executive Branch and to holding the line on Federal spending will be severely impaired. I view this as a very serious matter and hope that you will consider these comments very seriously in your review of the USDA budget for fiscal year 1979.

There is one other urgent matter which I would like to bring to your attention at this time. House Joint Resolution 944 was introduced by Congressman Mahon on May 25 to make urgent grain inspection supplemental appropriations for the Department's Federal Grain Inspection Service. The Food and Agriculture Act of 1977 amended the U.S. Grain Standards Act of 1976 to require costs of supervision of official inspection and weighing be paid from appropriated funds instead of user fees. We submitted a supplemental appropriation request and immediately began spending available funds at an accelerated rate to meet the requirements of the amended law. On June 17, the agency will have used all of its available funds. I urge you to give expeditious consideration to this resolution when it comes before you.

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